

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

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In the matter of the application of)	
UPPER PENINSULA POWER COMPANY)	
for approval of a power supply cost recovery plan)	Case No. U-18147
and authorization of monthly power supply cost)	
recovery factors for the calendar year 2017, and other)	
related approvals.)	
_____)	

At the January 31, 2017 meeting of the Michigan Public Service Commission in Lansing,
Michigan.

PRESENT: Hon. Sally A. Talberg, Chairman
Hon. Norman J. Saari, Commissioner
Hon. Rachael A. Eubanks, Commissioner

ORDER APPROVING SETTLEMENT AGREEMENT

On September 29, 2016, Upper Peninsula Power Company (UPPCo) filed an application, with supporting testimony and exhibits, seeking authority to implement a power supply cost recovery (PSCR) plan and factors for the 12-month period ending December 31, 2017. UPPCo is also seeking approval to recover through the PSCR mechanism prudently incurred actual costs and credits associated with financial transmission rights (FTRs).

A prehearing conference was held on November 15, 2016, before Administrative Law Judge Martin D. Snider (ALJ). UPPCo and the Commission Staff (Staff) participated in the proceedings. The ALJ granted intervenor status to Michigan Technological University (MTU) and Citizens Against Rate Excess (CARE). Subsequently, UPPCo, the Staff, and MTU submitted a settlement agreement resolving all issues in this case. CARE filed a separate statement of non-objection.

According to the terms of the settlement agreement, attached as Exhibit A, the signatories agree that: (1) in connection with the capacity purchase set forth in Exhibit A-7, it is reasonable for UPPCo to purchase zonal resource credits (ZRCs) of no more than 30 megawatts (MW) for the 2017-2018 Mid-continent Independent System Operator, Inc. (MISO) planning year, and (2) the company will exercise reasonable efforts to limit its purchase of ZRCs to 25 MW, so long as UPPCo is able to do so without entering the auction process with less ZRCs than the company needs to comply with MISO's resource adequacy standards for the 2017-2018 MISO planning year.

The signatories also agree to a PSCR factor of negative \$0.00399 per kilowatt-hour (kWh) for the 12-month period ending December 31, 2017, effective with the first billing month immediately following Commission approval of the settlement agreement.

The signatories further agree that UPPCo's five-year forecast of power supply requirements meets the statutory mandates of 1982 PA 304 and request that it be accepted for filing. In addition, the signatories agree that it is reasonable to recover through the PSCR mechanism prudently incurred actual costs and credits associated with use of FTRs.

The Commission finds that the settlement agreement is reasonable and in the public interest, and should be approved.

THEREFORE, IT IS ORDERED that:

A. The settlement agreement, attached as Exhibit A, is approved.

B. Upper Peninsula Power Company is authorized to implement a power supply cost recovery factor of negative \$0.00399 per kilowatt-hour for its Michigan retail electric customers during the 12-month period ending December 31, 2017, effective with the first billing month immediately following Commission approval of the settlement agreement.

C. Upper Peninsula Power Company is authorized to recover through the power supply cost recovery mechanism its prudently incurred actual costs and credits associated with use of financial transmission rights.

D. Within 30 days of the date of this order, Upper Peninsula Power Company shall file with the Commission a tariff sheet in conformity with Attachment 1 to the settlement agreement.

E. If Upper Peninsula Power Company desires to apply a lesser power supply cost recovery factor than that approved by this order, it shall notify the Commission 10 days prior to the use of the lesser factor and shall file during the billing month a tariff sheet showing the lesser factors applied.

The Commission reserves jurisdiction and may issue further orders as necessary.

Any party desiring to appeal this order must do so in the appropriate court within 30 days after issuance and notice of this order, pursuant to MCL 462.26. To comply with the Michigan Rules of Court's requirement to notify the Commission of an appeal, appellants shall send required notices to both the Commission's Executive Secretary and to the Commission's Legal Counsel.

Electronic notifications should be sent to the Executive Secretary at mpscedockets@michigan.gov and to the Michigan Department of the Attorney General - Public Service Division at pungpl@michigan.gov. In lieu of electronic submissions, paper copies of such notifications may be sent to the Executive Secretary and the Attorney General - Public Service Division at 7109 W. Saginaw Hwy., Lansing, MI 48917.

MICHIGAN PUBLIC SERVICE COMMISSION

Sally A. Talberg, Chairman

Norman J. Saari, Commissioner

Rachael A. Eubanks, Commissioner

By its action of January 31, 2017.

Kavita Kale, Executive Secretary

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

In the matter of the application of)	
UPPER PENINSULA POWER COMPANY)	Case No. U-18147
for approval of a power supply cost recovery plan and)	
authorization of monthly power supply cost recovery factors)	
for the calendar year 2017, and other related approvals.)	
_____)	

SETTLEMENT AGREEMENT

As provided in § 78 of the Administrative Procedures Act of 1969 (“APA”), as amended, MCL 24.278, and Rule 431 of the Michigan Administrative Hearing System’s Administrative Hearing Rules, 2015 ACR 792.10431, Upper Peninsula Power Company (“UPPCo” or the “Company”), the Michigan Public Service Commission Staff (“Staff”), and Michigan Technological University (“MTU”) hereby agree as follows:

1. On September 29, 2016, UPPCo filed with the Michigan Public Service Commission (“Commission”) its Application, along with the testimony and exhibits of its witness, Aaron L. Wallin, to (i) implement a Power Supply Cost Recovery (“PSCR”) plan and PSCR factors for the 2017 calendar year; (ii) continue to recover through the PSCR, costs and credits associated with Financial Transmission Rights (“FTR”); and (iii) submit its five-year forecast of power supply requirements, anticipated sources of supply and projections of power supply costs.

2. In its Application as filed September 29, 2016, UPPCo requested, among other things, authority to implement a PSCR factor of negative \$0.00399 per kilowatt hour (“kWh”) for its customers.

3. On October 14, 2016, the Commission's Executive Secretary issued a Notice of Hearing directing UPPCo to mail a copy of the Notice of Hearing to all cities, incorporated villages, townships, and counties in its service area, as well as to intervenors in Case No. U-17911. The Commission further directed UPPCo to publish the Notice of Hearing in daily newspapers of general circulation throughout its service area. Complying with the directives, UPPCo electronically filed with the Commission the requisite Affidavit of Mailing and Proofs of Publication on November 10, 2016.

4. On November 15, 2016, a prehearing conference was held, and Staff entered its Appearance. MTU and Citizens Against Rate Excess ("CARE") were granted intervention.

5. Subsequently the parties engaged in settlement discussions, and as a result, have successfully reached compromise on all of the contested issues in Case No. U-18147. The signatories¹ to this settlement agreement agree as follows:

- a. UPPCo's 2017 PSCR Plan is reasonable and should be approved by the Commission. The parties further acknowledge in connection with the Capacity Purchase set forth on line 19 of Exhibit A-7 (ALW-7) as filed in this case, that (i) it is reasonable for UPPCo to purchase zonal resource credits ("ZRCs") of no more than 30 MW for the MISO planning year 2017-2018, and (ii) UPPCo will exercise reasonable efforts to limit its purchase of ZCRs to 25 MW providing that the Company is able to do so without entering the auction process with less ZRCs than the Company needs to comply with MISO's resource adequacy standards for the MISO planning year 2017-2018.

¹ CARE advises that it will be filing a separate Statement of Non-Objection to this Settlement Agreement. Because the Statement is not part of the Settlement Agreement, it is non-binding on the signatories hereto.

- b. UPPCo should be authorized to implement an authorized ceiling PSCR factor of negative \$0.00399 per kWh in its retail electric customers' monthly bills effective with the first billing month immediately following a Commission order approving this settlement agreement through the December 2017 billing month.² A tariff sheet, attached as Attachment 1, reflects the recommended factor.
- c. UPPCo's 5-year forecast of power supply requirements meets the statutory mandates of 1982 PA 304 and should be accepted for filing.
- d. The parties agree that it is reasonable for the Commission to allow for the recovery through the PSCR mechanism of prudently incurred actual costs and credits associated with use of FTR.

6. All of the parties are of the opinion that this Settlement Agreement is reasonable, will promote the public interest and will aid in the expeditious conclusion of this case.

7. This Settlement Agreement is entered into for the sole and express purpose of reaching a compromise among the positions of the parties and avoiding further litigation in Case No. U-18147. This Settlement Agreement is intended for a final disposition of this proceeding, and the parties join in respectfully requesting that the Commission grant prompt approval. The parties agree not to appeal, challenge, or contest the Commission's Order accepting and approving this Settlement Agreement without modification. If the Commission does not accept the Settlement Agreement without modification, the Agreement shall be withdrawn and shall not constitute any part of the record in this proceeding or be used for any other purpose whatsoever.

² For the period prior to the issuance of an MPSC order approving this settlement agreement, UPPCo has implemented a PSCR factor pursuant to MCL 460.6j(9).

8. All offers of settlement and discussions relating to this Settlement Agreement are, and shall be considered, privileged under MRE 408 and shall not be used in any manner, or be admissible for any other purpose in connection with this proceeding or matter. **This Settlement Agreement does not constitute a precedent in any other case or proceeding except as necessary to carry out its terms.**

9. All signatories waive Section 81 of the APA of 1969, as amended, MCL 24.281, as it applies to the issues in this proceeding, providing the Commission approves the Settlement Agreement without modification.

UPPER PENINSULA POWER COMPANY

Sherri A.
Wellman

Digitally signed by: Sherri A. Wellman
DN: CN = Sherri A. Wellman C = AD O =
MillerCanfield
Date: 2017.01.19 11:24:41 -05'00'

Dated: January 18, 2017

By: _____
Its Attorney
Sherri A. Wellman (P38989)
MILLER, CANFIELD, PADDOCK AND STONE, P.L.C.
One Michigan Avenue, Suite 900
Lansing, MI 48933

MICHIGAN PUBLIC SERVICE COMMISSION STAFF



Dated: January 18, 2017

By: _____
Its Attorney
Amit T. Singh (P75492)
Assistant Attorney General
Public Service Division
7109 West Saginaw Highway
3rd Floor
Lansing, MI 48917

MICHIGAN TECHNOLOGICAL UNIVERSITY

Richard

Digitally signed by: Richard J.
Aaron
DN: CN = Richard J. Aaron email
= raaron@dykema.com C = US
O = Dykema Gossett PLLC
Date: 2017.01.20 09:24:22 -
05:00

J. Aaron

Dated: January 18, 2017

By:

Its Attorney

Richard J. Aaron (P35605)

Dykema Gossett PLLC

201 Townsend St Ste 900

Lansing, MI 48933-1529

28195321.1\130062-00092

UPPER PENINSULA POWER COMPANY

Attachment 1

MPSC Vol No 8-ELECTRIC
(2017 PSCR Plan, Case No. U-18147)

xxxx Revised Sheet No. D-2.00
Replaces xxxx Revised Sheet No. D-2.00

D1. Power Supply Cost Recovery				PSCR
Continued from Sheet No. D-1.00				
Should the Company apply lesser factors than those below, or if the factors are later revised pursuant to Commission Orders or 1982 PA 304, the Company will notify the Commission and file a revision of the following list.				
<u>ALL CLASSES</u>				
Power Supply Cost Recovery Factors				
	Authorized	Prior Years	Maximum	
	2017	Over/Under	Authorized	Actual
	Plan Year	Recovery	2017	Factor
	PSCR Factor	Factor	PSCR Factor	Billed
Billing Months	\$/kWh	\$/kWh	\$/kWh	\$/kWh
R January 2017	(\$0.00399)	(\$0.00000)	(\$0.00399)	
R February 2017	(\$0.00399)	(\$0.00000)	(\$0.00399)	
R March 2017	(\$0.00399)	(\$0.00000)	(\$0.00399)	
R April 2017	(\$0.00399)	(\$0.00000)	(\$0.00399)	
R May 2017	(\$0.00399)	(\$0.00000)	(\$0.00399)	
R June 2017	(\$0.00399)	(\$0.00000)	(\$0.00399)	
R July 2017	(\$0.00399)	(\$0.00000)	(\$0.00399)	
R August 2017	(\$0.00399)	(\$0.00000)	(\$0.00399)	
R September 2017	(\$0.00399)	(\$0.00000)	(\$0.00399)	
R October 2017	(\$0.00399)	(\$0.00000)	(\$0.00399)	
R November 2017	(\$0.00399)	(\$0.00000)	(\$0.00399)	
R December 2017	(\$0.00399)	(\$0.00000)	(\$0.00399)	
Continued on Sheet No. D-3.00				

Issued
By Susan Devon
Director of Regulatory Affairs
Marquette, Michigan

Effective Jan - Dec
2017 Billing Months
Issued Under Auth. of
Mich Public Serv Comm
In Case No. U-18147